

Message Text

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PAGE 01 SEOUL 03289 210629Z
ACTION EB-08

INFO OCT-01 EA-12 ISO-00 PA-02 AID-05 CIAE-00 COME-00
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 /077 W
-----120229 221543Z /53

R 210355Z APR 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 603
INFO AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMCONGEN HONG KONG

UNCLAS SEOUL 3289

HONG KONG FOR REGFINATT

E.O. 11652: N/A
TAGS: EFIN, EALR, KS
SUBJECT: KOREA OBTAINS SHARPLY IMPROVED TERMS IN INTERNATIONAL
MONEY MARKET

1. WITHIN PAST TWO MONTHS, KOREAN BORROWERS HAVE NEGOTIATED TWO MAJOR EURODOLLAR LOANS WITH TERMS AND CONDITIONS THAT ARE SIGNIFICANTLY MORE FAVORABLE THAN ANY KOREA HAS BEEN ABLE TO OBTAIN IN THE PAST. ACCORDING TO LOCAL BANKING SOURCES, IMPROVED TERMS MAY BE GENERALLY ATTRIBUTED TO TWO PRINCIPLE FACTORS--GREATER LIQUIDITY IN THE INTERNATIONAL MARKETPLACE AND KOREA'S OWN STEADILY-IMPROVING CREDITWORTHINESS. DETAILS ARE PROVIDED BELOW FOR DEPARTMENT'S INFORMATION.

2. FIRST LOAN WAS A \$100 MILLION SYNDICATED CREDIT OBTAINED BY POHANG IRON AND STEEL CO. LAST FEBRUARY. LOAN WAS CO-MANAGED BY ASIA PACIFIC CAPITAL CORP. OF HONG KONG (SUBSIDIARY OF CITICORP), WEST DEUTSCHE LANDESBANK OF WEST GERMANY, KOREA ASSOCIATED FINANCING CO. OF HONG KONG (SUBSIDIARY OF KOREA EXCHANGE BANK), AND KOREA ASSOCIATED SECURITIES INC.
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PAGE 02 SEOUL 03289 210629Z

OF NEW YORK (SUBSIDIARY OF KOREA DEVELOPMENT BANK). ACCORDING TO RELIABLE INFORMATION, TERMS WERE AS FOLLOWS: INTEREST RATE--LIBOR PLUS 1.375 PERCENT; COMMITMENT FEE--0.5 PERCENT; MANAGEMENT FEE--0.75 PERCENT; SEVEN YEAR'S MATURITY, NO GRACE PERIOD. COMMENT: IN ADDITION TO TERMS, THIS LOAN WAS NOTABLE FMR TWO REASONS: (A) IT WAS KOREA'S FIRST MAJOR EURODOLLAR LOAN SOLICITED DIRECTLY BY PRIVATE FIRM AND NOT RPT NOT GUARANTEED

BY THE KOREAN GOVERNMENT; AND (B) IT WAS KOREA'S FIRST MAJOR EURODOLLAR LOAN IN WHICH KOREAN BANKS HAVE PARTICIPATED AS CO-MANAGERS. -END COMMENT

3. SECOND LOAN, CURRENTLY BEING ARRANGED, IS A \$300 MILLION SYNDICATED CREDIT TO BE SHARED EQUALLY BY THE KOREA EXCHANGE BANK (KEB) AND THE KOREA DEVELOPMENT BANK (KDB). CO-MANAGERS ARE CHASE MANHATTAN ASIA LTD., CITICORP'S INTERNATIONAL GROUP, AND BANKER'S TRUST. TERMS AND CONDITIONS ARE RELIABLY REPORTED TO BE LIBOR PLUS 0.875; 0.5 PERCENT COMMITMENT FEE; 1.0 PERCENT MANAGEMENT FEE; AND 10 YEAR'S MATURITY WITH THREE YEAR'S GRACE. COMMENT: LOCAL BANKING SOURCES ATTRIBUTE PARTICULARLY FAVORABLE TERMS TO THE FACT THAT THE BORROWERS, KEB AND KDB, ARE ESSENTIALLY GOVERNMENT ORGANS AND THAT LOANS ARE INTENDED FOR NEW PROJECTS RATHER THAN PREPAYMENT OF OLD LOANS. THE RUMOR AROUND TOWN IS THAT THIS LOAN IS ALREADY OVERSUBSCRIBED BY WOULD-BE LENDERS AND THAT CO-MANAGERS WOULD LIKE TO GET BORROWERS TO INCREASE SIZE OF LOAN TO \$500 MILLION. AT \$300 MILLION, IT IS ALREADY LARGEST AND MOST FAVORABLY-PRICED LOAN KOREA HAS EVER OBTAINED ON EURODOLLAR MARKET. -END COMMENT
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, LOANS, CREDIT AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SEOUL03289
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780172-0712
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780430/aaaaazfx.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e40defa9-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2890602
Secure: OPEN
Status: NATIVE
Subject: KOREA OBTAINS SHARPLY IMPROVED TERMS IN INTERNATIONAL MONEY MARKET
TAGS: EFIN, EALR, KS
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e40defa9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014